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ASSESSMENT OF INVESTMENT DECISIONS AND FINANCIAL PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN FEDERAL CAPITAL TERRITORY, NIGERIA



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ABSTRACT

This study evaluated the Assessment of Investment Decisions and Financial Performance of Small and Medium Enterprises in the Federal Capital Territory, Nigeria. Multi-stage sampling technique was adopted and used. Data were collected through the use of structured questionnaires from 400 sampled SMEs. Data were analyzed using, Descriptive Statistics, Correlation Matrix and Logit Regression Model. The results show there is a positive correlation between annual return i.e. financial performance and new property acquisition and a negative correlation existed with new plant and acquisition. The result of the logit model shows that the factors influencing investment decisions among SMEs were the coefficient of education ($P < 0.01$) probability level. The coefficient of the competition level was negative and statistically significant at ($P < 0.05$). Furthermore, the coefficient of the initial investment capital ($P < 0.05$). The coefficient of the infrastructure was positive and statistically significant at ($P < 0.05$). Therefore, the study recommends that Policy should be formulated towards educating and training SMEs owners to have more knowledge about business enterprise operations in order to be able to assess their financial performance, external funding and capital should be provided to SMEs at a lower and affordable interest rate, SMEs owners should be encouraged to be willing to invest more into their business to expand their business for more profit, local polices and local infrastructure to enhance SMEs participation in Federal Capital Territory AMAC should be provided. Media blitz could also be harnessed to augment policy awareness among SMEs.

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INTRODUCTION

SMEs is being defined in various ways as postulated by the following authors (Appiah et al., 2018a; Quartey et al., 2017; Ayyagari et al., 2011; Dalberg, 2011; Abor & Quartey, 2010; Ghatak, 2010) in different countries depending on the total number of employees owned by the companies or organizations, the value of assets they possess and the level of their annual turnover from the enterprises. As stated by the International Labour Organization (ILO) (2015) the micro enterprises are the type of enterprises that has up to ten number of employees, while small enterprises are those enterprises that ranges between

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10 to 100 number of employees and the medium-sized type of enterprises as the enterprises that has between 100 to 250 number of employees. Small and Medium Enterprises plays a major role in the transition and developing countries across the globe (OECD, 2002). These firms mostly account for more than 90% of all firms that is outside the white-collar jobs sector, that constitute a major source of employment opportunities and also generates some significant domestic and export earnings for the country. OECD (2005) stressed that SME development has emerged as the main instruments involved in poverty eradication efforts, therefore, SME has obviously contributed to economic, social development of people and poverty reduction (Taiwo, 2016). Investment behavior is very critical to an individual's future; the investment decisions may depend and contingent on a lot of factors. Financial literacy of an investor is also vital in enhancing the prudent decision-making capabilities to an individual, this is supported by the fact that prior research has suggested that improvement of education in financial management positively correlates with decision making on critical investment activities (Appiah et al., 2018a). According to (Ejembi & Ogiji, 2007), it is worthwhile to note that many people that operate SMES do not have the adequate knowledge of basic investment concepts which is required to make important and prudent investment decisions. This deficit of the required basic economic concepts has led to the deployment of massive training to various potential and existing investors on the aspects of financial literacy since improved financial education can lead to an increase in the investment behavior in an individual. Investment decisions involve the thought process of selecting a logical choice from the available options. When trying to make a good decision, the decision maker must weigh the positives and negatives of each option, and consider all the alternatives. For effective decision making, a person must be able to forecast the outcome of each option as well, and based on all these items, determine which option is the best for that particular situation most importantly the previous performance will be a proper guide in the choice of where to invest. Financial performance of a firm can be defined as a process of measuring how well a firm or company can use its assets that is from its primary sources of business and the generation revenues. This terminology can also be used for general measurement of the firm's general financial capabilities and health over a specified period of time. Measures of financial performance take a variety of forms, though these measures differ from one another on several dimensions at times various issues are involved in the pointing out at the right choice of the particular financial measure to employ that one is to employ for example, measures may be absolute, return-based, internal, external, a level for a single period, a mean or a growth rate over several years or vary about a mean or a trend (Heshmati & Loof, 2006). The importance and the significance of investment decision to view the financial performance in SMEs is vital, the investment decision among the investors is purely a strategic decision, as it always contains financial and human resources of the organization or company and this is the only way that managers can keep the company active, alive and functional for a longer period of time. Thus, the implementation of the investments decisions is critical for a company for its future success and survival, and depends on the correct predictions and prudent decisions made by firms' managers. One way that the impact of investment decisions made by managers can be assessed is by measuring the level of a firm's financial performance for a specified period of time. Despite of the tremendous and important contributions provided by SMEs, there are various number of constraints that continue to limit and decline the growth of SMEs and its expansion strive. These challenges have stretched all over across the system of the entire value chain of the areas of operation of SMEs. These type of constraints includes; finances/access to credit facilities (Quartey et al., 2017; Appiah et al., 2018b; Ayyagari et al., 2011; competition among the SMEs, (Bouazza et al., 2015; Quartey et al., 2017; Appiah et al., 2018a), entrepreneurial knowledge and capabilities (Kazimoto, 2014; Abood et al., 2014, Bouazza et al., 2015) human resource development and capabilities (Farsi & Toghraee, 2014), the level of technological capacities (Bouazza et al., 2015 Farsi & Toghraee, 2014), managerial skills and capabilities of the management staff (Bouazza et al., 2015; Quartey et al., 2017) high level of corruption among regulating agencies (Abood et al., 2014; Bouazza et al., 2015), inadequate access to viable information (Farsi & Toghraee, 2014), poor and inadequate infrastructure and institutional support (Bouazza et al., 2015; Appiah et al., 2018b), double taxation. In a recent study according to Appiah et al. (2018b) policy environment and implementation has an antidote to reduce the plight of SMEs if it is managed appropriately in the study area. However, policy summersaults, ineffective policy environment, policy inconsistency is a clear indication that the challenges of SMEs will continue to exacerbate and escalate the Authors cautioned (Appiah et al., 2018a; Appiah et al., 2018b). There exist some serious gaps in the previous studies regarding business performance assessment and the decision to take by the investors. Despite much attributes to the SME sector as a job creator it has not attracted much research attention regarding the relationship between the financial performance of SMEs and the investment decisions that those SMEs take, most of the previous studies regarding the factors influencing investment decisions have not only neglected the research on the relationship between investment decisions with financial performance but they have focused mainly on human behavioral aspects of factors influencing investment decisions in large firms that are usually listed in the capital markets. The failure of the previous studies to research on the aspect of investment decisions in SMEs and the link of those decisions to the financial performance of SMEs has resulted in some form of minimal contribution of these studies to finance discipline in general and specifically regarding to the relationship of investment decisions on the financial performance of the economically important SME sector operating firms, it is on this background that this study was conducted to fill the existing gap in literature for proper policy formulation. Hence, study seeks to find out what is the level of relationship between investment decisions and financial performance of SMEs in Federal Capital Territory, Nigeria.

Objective of the Study

The broad objective of this study is to analyze the assessment of investment decisions and financial performance of small and medium enterprises in Federal Capital Territory, Nigeria. (A case study of selected SMEs in AMAC). The specific objectives Were to:

- To identify the socioeconomic characteristics of the sample SMEs,
- To examine the relationship between performance assessment and investment decision of SMEs.
- To investigate strategies that can be adopted in conducting an effective financial performance among SMEs,
- To determine the factors influencing financial performance among SMEs and investment decisions of the SMEs in the study area.

Research Questions

- What are the socioeconomic characteristics of the sampled SMEs?
- What is the relationship between financial performance and investment decision of SMEs?
- What are the strategies that can be adopted in conducting an effective financial performance among SMEs?
- What are the factors influencing investment decisions of the SMEs in the stud area?

Definitions and categorization of enterprises differ from country to country. Depending on contexts and development scenarios, countries choose one or more thresholds to define and categorize enterprises. Some of the factors used for defining and setting boundaries across enterprises include investment size, number of employees, annual sales turnover, net asset value, and legal status (Wajebo, 2022). Zindiye et al. (2008) carried out a study to investigate the Factors Affecting the Performances of SMEs in the Manufacturing Sector of Harare, Zimbabwe. The researchers make use of skilled human resources, management skills, economic factors, and economic initiative as the factors that influenced the performance of SMEs, the statistical tools such as ANOVA (Analysis of Variance) as well as regression analysis were employed to test the data statistically. Their findings from the study reveal that lack of skilled human resources results in poor performance of SMEs, management skills play a significant role in the performance of SMEs, economic factors were found to have the most prominent relationship to business performance and economic initiation were found to have a significant effect on business performance. Mohd Shariff et al. (2010) examines the Moderating Effect of Government Policy on Entrepreneurship and Growth Performance of Small and Medium Enterprises (SMEs) in Cambodia. In their study, the researchers use entrepreneurial value, firm financing, management, market practices, and Government policy as the factors that influenced the growth performance of SMEs. Survey method was used to gather two hundred and twenty usable questionnaires from SMEs owner/managers in the city of Phnom Penh in Cambodia, and multiple regression analysis was used to determine the result. The finding of the study indicates a positive relationship between entrepreneurial value, firm financing, management, market practice and growth performance of SMEs. The result also confirms that government policy has an essential role as a full moderator in such relationships. Akinruwa et al. (2013) conduct a study to investigate the Determinants of Small and Medium Scale Enterprises Performance in Ekiti State, Nigeria: A Business Survey Approach in Nigeria. The researcher makes use of funding, political, education, infrastructure, Government policy, raw material, entrepreneur competencies, customer patronage, technology and distribution channels as factors that influenced SMEs performance. Survey questionnaire was used to collect data, and also the data gathered was analyzed through SPSS whereby regression analysis was also employed to provide an accurate result of the study. The result of the study indicates that funds, managerial skills, government policy, education, infrastructure, and entrepreneur competencies are significantly related to the performance of SMEs at 5% level of significant. By ranking funds, were considered most important follow by education, government policy, management skills, and infrastructure. While political, raw-material, customer patronage, technology, and distribution channel do not have positive and significant relationship with SMEs performance. Appiah et al. (2018a) investigated dimensions of SME's constraints and decisions to Invest in the Ghanaian Oil and Gas Sector. Using a binominal regression model they analyzed primary data from 497 local SMEs. The study found that SMEs with inadequate capital, had high level of competition, had high corruption perception, lacked policy awareness, lacked adequate external credit facilities, had inadequate information, lacked managerial capabilities, lacked technological capabilities were less likely to invest.

MATERIALS AND METHODS

Research Design

This study adopted the survey design. This research design was permissible for employing a coherent research instrument for gathering information and generating data that was drawn on in this study. The design focused on the collection and data analysis from the study population which enabled the researchers to look into the causal association connecting the identified variables. This method also gave the respondents the chance to express their opinions on the variables under investigation as reported by (Essien, 2014; Gado, 2015).

Population

The population for the study consists of the small and mediums enterprises (SMEs) that operate their businesses in Abuja and also registered with Small and Medium Enterprises Development Agency of Nigeria. The entirety figures of SMEs listed with SMEDAN in FCT is 482,365.

Sampling Technique and Sample Size

The study adopted a multi-stage sampling technique; the first stage employed purposive sampling in selecting Abuja because of the prevalence of the SMEs. Second stage employed stratified sampling method. This involved grouping the SMEs according to their category. The third stage involved the use of proportionate sampling technique, and the use of simple random sampling method to select the respondents from each ward as used by previous researchers, Appiah et al. (2018b).

Making a total sample size of 400 as calculated using Yumane (1967). This formula relates the population size to the level of significance as illustrated below:

$$n = \frac{N}{1 + (e^2)N} = 399.669 = 400$$

Where,

n = Sample Size Desired

N = Overall Population

e = Tolerated/assumed error limit 0.05 on the basis of 95% confidence level

Method of Data Collection

The required data for this study was taken from primary source. The primary data was generated from representative sample which are the owners/managers of the registered SMEs in Abuja

Method of Data Analysis

The following tools of analysis was used to achieve the specific objectives of the study which includes both descriptive and inferential statistics

Descriptive Statistics

This was used to describe the socioeconomic characteristics of the respondents which were summarize in the form of frequency distributions, percentages, means and standard deviations and was used to described the strategies for assessing investment decision and financial performance this was used to achieve specific objective (i)

Correlation Matrix

This tool was used to test for significant association between financial performance and investment decision among SMEs. This was used to achieve specific objective (ii)

The Correlation Matrix is stated thus,

$$r_{xy} = \frac{\sum_{i=1}^n (x_i - \bar{x})(y_i - \bar{y})}{\sqrt{\sum_{i=1}^n (x_i - \bar{x})^2 \sum_{i=1}^n (y_i - \bar{y})^2}} \dots \dots \dots (1)$$

Where,

r_{xy} = The Correlation Coefficient (Units)

\bar{x} =The Sample Mean of X (Units)

\bar{y} = The Sample Means of Y(Units)

Logit Regression Model Analysis

This tool was used to determine the factors influencing investment decision among SMEs and it was used to achieve specific objective (iii)

The data obtained was scrutinize and coded before subsequently imputed for further analysis by using computer application program Software, SPSS version 20 and Stata version 14.

The Implicit Model is stated thus;

The Logit model is stated thus:

$$Y_i = b_0 + \sum_{i=1}^{10} \alpha_i X_i + U_i \dots \dots \dots (2)$$

The explicit function is stated thus:

$$Y_i = \alpha_0 + \alpha_1 X_1 + \alpha_2 X_2 + \alpha_3 X_3 + \alpha_4 X_4 + \alpha_5 X_5 + \alpha_6 X_6 + \alpha_7 X_7 + \alpha_8 X_8 + \alpha_9 X_9 + \alpha_{10} X_{10} + U_i \dots (3)$$

Where,

Y_i = Willingness to invest (1, yes; 0, otherwise)

X_1 = Educational Level

X_2 =Information Technology Capabilities

X_3 = Competition Level

X_4 = Initial Investment Capital

X_5 = Cost of Training

X_6 = Access to Funding

- X₇= Management Skills
- X₈= Human Capital
- X₉=Market Information
- X₁₀= Infrastructure
- α₀= Constant Term
- α₁ – α₁₀ = Regression Coefficients
- U_i= Error Term

RESULTS AND DISCUSSIONS

Socioeconomic Characteristics of the Sampled SMEs in the Study Area

Table 1 shows the socioeconomic characteristics of the sampled SMEs, the results show that majority (64.50%) of the sampled respondents were male while 35.50% were female most of the SMEs owners attained tertiary level of education while 27.55% had no formal education, the results further shows that 55% were sole proprietorship while 27.25% were involved in partnership type of business. Also 50.50% of the sampled SMEs had initial investment capital of ≤₦500,000 while 30.50% had ₦1000000-5000000 initial investment capital this result is in with (Ikharehon & Briggs, 2016) who reported that Small and Medium-scale enterprises do not require huge financial resources like larger firm to kick start their business operation. Majority 61.50% of the SMEs owners had access to ≤₦500,000 external fund while 13.75% had access ₦1000000-5000000 external fund and 14% of the sample respondents could not have access to external fund to support their business. Majority 55.25% of the sampled respondents had annual return of ≤ ₦500000 while 35.0% had annual return of ₦1000000-5000000. 30.50% of the sampled SMEs opined that interest rate has effect on their business operation, high interest rate on capital could have negative impact on profit level of the SMEs while 40.00% of the respondents said price control had effect on their business operation. Majority (74.25%) of the SMEs were willing to invest more funds into business enterprise.

Table 1. Socio-economic Characteristics of the Sample SMEs in Abuja

Variables	Frequency	Percentage
Sex		
Male	258	64.50
Female	142	35.50
Education level		
Primary education	84	21.00
Secondary education	56	14.00
Tertiary education	149	37.25
No formal education	111	27.75
Types of Business		
Sole Proprietorship	220	55.00
Partnership	109	27.25
Corporation (Plc)	71	17.75
Initial Investment Capital		
≤500000	202	50.50
1000000-5000000	122	30.50
6000000-1000000	48	12.00
11000000 and above	28	7.00
Amount of Fund Access		
≤500000	246	61.50
1000000-5000000	55	13.75
6000000-1000000	28	7.00
11000000 and above	15	3.75
None	56	14.00
Annual Returns		
≤500000	221	55.25
1000000-5000000	140	35.00
6000000-1000000	23	5.75
11000000 and above	16	4.00
Government Policy		
Interest Rate	122	30.50
Price Control	160	40.00
Trade Policy	81	20.25
Import Tariffs	37	9.25
Willingness to Invest Fund		
Yes	297	74.25
No	103	25.75
Total	400	100

Source: Field Survey (2022)

Distribution of Sampled SMEs According to Business Category

Table 2 shows the results of the distribution of the sampled SMEs according to the business Category, the results revealed 10% of the sampled respondents were involved in Accommodation and hotels, Agribusiness, and education business category. 10.25% were involved in Arts, Entertainments and recreational services while 17.75% of the respondents were involved in Food and Beverages while most 18% of the SMEs were involved in Fashion designs and store.

Table 2. Distribution of Sampled Respondents According to Business Category (SMEs)

Business Category	Frequency	Percentage
Accommodation and Hotels	40	10.00
Transportation and Storage	54	13.50
Agribusiness	40	10.00
Arts, Entertainments and recreational services	41	10.25
Food and Beverages	71	17.75
Water Supply, Sewage and Water management	-	-
Education	40	10.00
Trading	42	10.50
Fashion Design and Stores	72	18.00
Total	400	100

Source: Field Survey (2020)

Distribution of Forms of Investment Decision Among SMEs in the Study Area

The preferred form of investment decision among sampled SMEs is presented in table 3 using four point Likert scale, the result show that 46.25% of the sample SMEs strongly agree that new property acquisition is a preferred form of investment decision, 38% also agree while 6.25% strongly disagree the mean score was 1.8 with standard deviation of 0.88, the results also revealed that 41%, 38% and 16.75% strongly agree, agree and disagree that new plant establishment and acquisition as a preferred form of investment decision respectively. Also 39.25% and 40.25% strongly agree and agree that old asset replacement is the preferred form of investment decision among SMEs, the results from table 3 further depicts that 48.50% strongly agree that capital acquisition was mostly the preferred form of investment decision by the SMEs while 28.50% also agree and 15.00%, 8.00% disagree and strongly disagree respectively with mean score of 1.825 and standard deviation of 0.962.

Table 3. Distribution and Mean Score of the Forms of Investment Decisions Among SMEs in the Study Area

Items	Strongly Agree		Agree		Disagree		Strongly Disagree		Mean Score	Std Dev
	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)		
New property acquisition	185	46.25	152	38.00	36	9.00	27	6.75	1.762	0.876
New plant and acquisition	165	41.25	152	38.00	67	16.75	16	4.00	1.835	0.845
Old asset replacement (production capacity retained)	157	39.25	161	40.25	67	16.75	15	3.75	1.85	0.830
Existing equipment upgrading	126	31.50	175	43.75	75	18.75	24	6.00	1.99	0.862
Business portfolio diversification	156	39.00	125	31.25	68	17.00	51	12.75	2.035	1.035
Capital acquisition	194	48.50	114	28.50	60	15.00	32	8.00	1.825	0.962

Source: Field Survey (2022)

Distribution of Financial Performance Assessment Strategies Among SMEs

The financial performance assessment strategies among SMEs in the study area is presented on table 3, the results revealed that from the four-point Likert scale 38.75% of the respondents strongly agree that liquidity levels are a strategy for assessing financial performance of the SMEs while 34.75% agree and 6.50%, 20.0% strongly disagree and disagree with mean score and standard deviation of 2.0 and 1.11 respectively. More so 40.25% strongly agree that sales turnover is financial performance strategies while 18% strongly disagree and the mean score was 2.21 with standard deviation of 0.95. the sampled SMEs 26.25% and 38.00% strongly agree and agree that long term solvency is one of the financial performance assessment strategies while 24.75% disagree. 34.75% and 36.50% strongly agree and agree that accounting rate of return are some of the financial performance assessment strategies while 13.75% and 15% disagree and strongly disagree that accounting rate of return is a financial performance assessment strategy with mean score of 2.09 and standard deviation of 1.04 respectively. We also depict from table 3 that 30%, 39.50%) sampled SMEs strongly agree and agree that payback period is a financial performance assessment strategy while 12.50% and 18.5% disagree and strongly disagree with the mean score of 2.19 and standard deviation of 1.06 respectively. Majority (40.25%, 40.75%) strongly agree that net present value and internal rate of return is a financial performance assessment strategy of SMEs respectively.

Table 4. Distribution and Mean Score of the Financial Performance Assessment Strategies Among SMEs in the Study Area

Strategies	Strongly Agree		Agree		Disagree		Strongly Disagree		Mean Score	Std Dev
	Freq	(%)	Freq	(%)	Freq	(%)	Freq	(%)		
Liquidity levels	155	38.75	139	34.75	26	6.50	80	20.0	2.07	1.11
Sales turnover	161	40.25	115	28.75	52	13.00	72	18.0	2.09	1.11
Long term solvency	105	26.25	152	38.00	99	24.75	44	11.0	2.21	0.95
Shareholder investment return measures	112	28.0	153	38.25	71	17.75	64	16.0	2.22	1.03
Accounting Rate of Return	139	34.75	146	36.50	55	13.75	60	15.0	2.09	1.04
Payback period	120	30.00	158	39.50	50	12.50	72	18.0	2.19	1.06
Net present value	161	40.25	149	37.25	38	9.50	52	13.0	1.95	1.01
Internal rate of return	163	40.75	123	30.75	58	14.50	56	14.0	2.02	1.06

Source: Field Survey (2022)

Relationship between Financial Performance and Investment Decision of SMEs

Table 5 presents the results of the correlation matrix showing the relationship between financial performance and investment decision among the sampled SMEs in the study area. The financial performance of the SMEs was measured by the annual returns realized by each of the individual SMEs. The reason for the diagonal equal to 1 is that a variable is always perfectly correlated with itself. There is positive correlation between annual return i.e financial performance and new property acquisition (0.117) and negative correlation existed with new plant and acquisition (-0.059) this implies that as annual return increases establishment and new plant acquisition decreases they move in opposite direction, the correlation between financial performance and old asset replacement (0.201) was positive and significant likewise existing equipment upgrading (0.041), business portfolio (0.261), and capital acquisition (0.09) had positive association with financial performance which was measured by annual return from the enterprise and were statistically significant at (<P0.05) and (<P0.01) respectively.

Table 5. Results of the Correlation Between Financial Performance and Investment Decisions Among SME

		Annual return	New property acquisition	New plant and Acquisition	Old Asset Replacement
Annual return	Pearson Correlation	1	.117*	-.059	.201**
	Sig. (2-tailed)		.019	.242	.000
	N	400	400	400	400
New property acquisition	Pearson Correlation	.117*	1	.283**	.282**
	Sig. (2-tailed)	.019		.000	.000
	N	400	400	400	400
New plant and Acquisition	Pearson Correlation	-.059	.283**	1	.135**
	Sig. (2-tailed)	.242	.000		.007
	N	400	400	400	400
Old Asset Replacement	Pearson Correlation	.201**	.282**	.135**	1
	Sig. (2-tailed)	.000	.000	.007	
	N	400	400	400	400
Existing equipment Upgrading	Pearson Correlation	.041	.289**	-.034	.320**
	Sig. (2-tailed)	.410	.000	.495	.000
	N	400	400	400	400
Business portfolio diversification	Pearson Correlation	.261**	.183**	.233**	.414**
	Sig. (2-tailed)	.000	.000	.000	.000
	N	400	400	400	400
Capital Acquisition	Pearson Correlation	.009	.121*	.105*	.090
	Sig. (2-tailed)	.855	.016	.036	.072
	N	400	400	400	400

Source: Field Survey (2022)

*. Correlation is significant at the 0.05 level (2-tailed), **. Correlation is significant at the 0.01 level (2-tailed).

Factors Influencing Investment Decision Among SMEs in the Study Area

Table 6 revealed the results of the estimates of the maximum likely-hood of the factors influencing investment decision among SMEs using logit model. The result shows that the coefficient of education was positive and statistically significant at (P<0.01) probability level. The positive sign shows that a unit increase in the level of education of the SMEs owners results in the likelihood to invest more funds into business enterprise. More so the magnitude of the information technology was negatively and statistically significant at (P< 0.05) probability level. This influences the decision of the sampled respondents negatively this signifies that a unit increase in the knowledge of information technology in operating business enterprise the less likely they will be willing to invest more funds into their business enterprise. The coefficient of the competition level was also negative and statistically significant at (P< 0.05). This study is consistent with the Previous researchers (Michael et al, 2018; Bouzza *et al.*, 2015; Sitharam & Hoque, 2016) reported that competitions pose major challenge to SMEs investment choices. Relatedly, Sitharam and Hoque (2016) found that competition is considered the major thread and key problem as the only variable among the rest that has relevant link to SMEs’ performance. The negative sign of the magnitude of the competition level implies that a unit increase in competition level results in SMEs owners to less likely invest more funds into business. This could be as a result of the high level of competition resulting in low profit level from the business enterprise. Furthermore, the coefficient of the initial investment capital influences the decision of the SMEs positively and significant at (P<0.05) this implies that the sample SMEs were more likely willing to invest more funds into their business enterprise provided they have larger amount of initial investment capital. Initial capital could influence the decision and probability of willingness to invest in SMEs. The results also indicated that the coefficient of the managerial skills was negative and was statistically significant at (P<0.05) probability level. The magnitude of the managerial skills (-0.5376) implies that a unit increase in the level of managerial skills acquisition by the SMEs will result in 53% decrease in the probability of the investors to invest more into their business enterprises. This is in conformity with Appiah et al. (2018a) who found that lack and inadequate managerial capacity and competency is the major key problem that SMEs are encountering in their endeavors to succeed in their business. This also implies that the knowledge, skills and the experience of the owners of enterprises and managers is very significant in handling business enterprise. Furthermore, managerial capacity can be used to blend tangible and intangible assets of the own by the investors to increase efficiency and performance of the SMEs (Muriithi, 2015). Table 6 also revealed that the magnitude of the coefficient of market information was negative and statistically significant at (P<0.05) this result shows that as the sample respondent had access to information about the viability of the SMEs the less likely the probability for them to be willing to invest more funds into the business enterprise. The coefficient of the infrastructure was positive and statistically significant at (P<0.05) this implies that the more SMEs has access to infrastructural facilities the more it influences the likelihood and probability of the respondents to invest more funds into SMEs. The Log likelihood for the model was -191.98673, LR Chi²(10) was 72.37, Prob>Chi² =0.000, Pseudo R² = 0.1586. This implies that the specified model was highly significant.

Table 6. Estimates of the Maximum-likelihood of the Logit Regression of the Factors Influencing Investment Decisions

Variable	Coefficients	Standard Error	Z-score
Education Level	0.514307	0.1307191	3.93***
Information Technology	-0.6923914	0.2700728	-2.56***
Competition level	-0.4796869	0.1979805	-2.42**
Initial investment Capital	0.4686149	0.1637837	2.86***
Cost of Training	-6.34e-07	2.30e-07	-2.76***
Access to Funding	0.1672449	0.1009403	1.66*
Managerial Skills	-0.5376921	0.2625101	-2.05**
Human Capital	-0.0234038	0.1025928	-0.23
Market Information	-0.8109235	0.1628739	-4.98***
Infrastructure	0.2332286	0.0946327	2.46**
Constant	2.055864	0.8531558	2.41**
Log likelihood = -191.98673			
LR chi2(10) = 72.37			
Prob > chi2 = 0.0000			
Pseudo R2 = 0.1586			

Source: Field Survey, 2022

*, **, *** Significant at 10%, 5% and 1% Respectively

CONCLUSIONS

This study analyzed the assessment of investment decisions and financial performance of small and medium enterprises in Abuja, Nigeria. (A case study of selected SMEs in AMAC). The results show that there was a significant association between forms of investment decision among SMEs and willingness to invest more funds into the business enterprise. The study also discovered that the financial performance strategies include liquidity levels, sales turnover, accounting rate of return, payback period, net present value and internal rate of return. The factors influencing willingness to invest more funds into the SMEs include educational level of the SMEs owners, information technology capabilities, competition level, Managerial skills, initial investment, capital and access to funding. Based on the results emanating from this study, therefore, the following recommendations for policy formulations were recommended

- Policy should be formulated towards educating and training SMEs owners to have more knowledge about business enterprise operation in order to be able to assess their financial performance

- External funding and capital should be provided to SMEs at a lower and affordable interest rate
- SMEs owners should be encouraged to be willing to invest more in to their business to expand their business for more profit
- The study suggests that the various arms of government vis-executive, judiciary and legislative are required to strengthen and expedite the provisions in the local content policy including; local capabilities, local environmental, local polices and local infrastructure to enhance SMEs participation in AMAC Abuja. Media blitz could also be harnessed to augment policy awareness among SMEs.

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